

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE AND FEE CHANGES, 2000

Docket No. R2000-1

POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S RULING NO. R2000-1/116
(August 18, 2000)

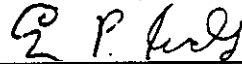
The United States Postal Service hereby provides the attached response to
Presiding Officer's Ruling No. R2000-1/116, issued on August 11, 2000.

The ruling is stated, followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:



Eric P. Koetting

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August 18, 2000

**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO
PRESIDING OFFICER'S RULING NO. R2000-1/116**

Q. Provide updates of library references LR-I-137, LR-I-146, LR-I-147, LR-I-160, and LR-I-162.

RESPONSE:

The Postal Service is providing the following library references in response to this Order:

| | | |
|----------|---------|----------------------------|
| LR-I-462 | updates | LR-I-83 |
| LR-I-463 | updates | LR-I-77 |
| LR-I-464 | updates | LR-I-81 |
| LR-I-465 | updates | LR-I-136 |
| LR-I-466 | updates | LR-I-137 |
| LR-I-467 | updates | LR-I-162 |
| LR-I-468 | updates | LR-I-147 |
| LR-I-471 | updates | LR-I-160 (Section B and L) |
| LR-I-472 | updates | LR-I-146 |

As may be observed from the list, material in addition to that specified had to be updated in order to provide inputs for the requested updates. As described below, not all of the inputs are yet available to complete all of the updates. Therefore, some of this material (i.e., LR-I-467 and 468) will still need to be supplemented.

More importantly, the Postal Service has serious concerns about some apparently anomalous results shown in the mail processing unit cost materials. These relate directly to the questions raised by Commissioner LeBlanc at the August 3rd hearings (Tr. 35/16801-10). In its written response to his questions, filed on August

14th, the Postal Service noted a change in the IOCS method used to determine Automation and Nonautomation costs for FY 1999. The effects of that methodological change seem to be substantial on some of the cost models. The Postal Service is exploring whether it is possible to redo these analyses using an IOCS methodology consistent with the FY 1998 approach. Ideally, we will be able to report on the results of that exercise by late next week.

With respect to the results which are being filed today in LR-I-467, 468, 471, and 472, the Postal Service would consider these in many respects to reflect the perils of an updating exercise conducted under a compressed time schedule, with insufficient opportunity to review and evaluate the output. These results are provided to comply with the Presiding Officer's Ruling and to try to keep the flow of information as nearly on schedule as possible. Overall, however, this portion of the update exercise merely underscores the Postal Service's position that the focus of the case should remain on the FY1998-based data provided with the filing.

USPS-LR-I-467 and 468

The cost studies for First-Class letters/cards, First-Class Nonstandard Surcharge, Standard Mail (A) Regular letters, and Standard Mail (A) Non Profit letters have been updated. These studies use Test Year data that have been developed from Base Year 1999 data under the Postal Service's volume variability methodology. The following data inputs have been changed: wage rates, premium pay factors, Remote Computer Read (RCR) unit costs, piggyback factors, and Test Year mail processing unit costs. Delivery unit costs are in the process of being updated and could not be completed in time for filing today. It is anticipated that the delivery worksharing related

cost update will be completed and filed as early as Monday, August 21st.

USPS-LR-I-471 and 472

The aforementioned delivery worksharing cost avoidance update has no impact on USPS-LR-I-471 or I-472. To expedite production of the updates which appear to be at the center of the discovery request which resulted in POR 116, the update to USPS-LR-I-160 filed today (USPS-LR-I-471) has been limited to Sections B and L of LR-I-160, which pertain to BRM and QBRM. Thus, it does not address the other Special Services for which costs were originally developed in LR-I-160.

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



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August 18, 2000